

HOUSE BILL 672

N1

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By: **Delegates Weir, Boteler, McConkey, Minnick, Shewell, and Stocksdale**
Introduced and read first time: February 4, 2010
Assigned to: Environmental Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property – Residential Leases – Interest on Security Deposits**

3 FOR the purpose of altering the annual interest rate paid on a security deposit under
4 a residential lease after the end of a tenancy; altering the annual interest rate
5 paid on a security deposit under a residential lease prior to the termination of a
6 tenancy under certain circumstances; altering the interval at which interest
7 shall accrue on a security deposit under a residential lease; requiring a landlord
8 to deliver a certain accounting with the return of a security deposit under a
9 residential lease under certain circumstances; providing for the application of
10 this Act; and generally relating to interest on security deposits under
11 residential leases.

12 BY repealing and reenacting, without amendments,
13 Article – Real Property
14 Section 8–203(d)
15 Annotated Code of Maryland
16 (2003 Replacement Volume and 2009 Supplement)

17 BY repealing and reenacting, with amendments,
18 Article – Real Property
19 Section 8–203(e) and (h)
20 Annotated Code of Maryland
21 (2003 Replacement Volume and 2009 Supplement)

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
23 MARYLAND, That the Laws of Maryland read as follows:

24 **Article – Real Property**

25 8–203.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.



1 (d) (1) (i) The landlord shall maintain all security deposits in federally
2 insured financial institutions, as defined in § 1–101 of the Financial Institutions
3 Article, which do business in the State.

4 (ii) Security deposit accounts shall be maintained in branches of
5 the financial institutions which are located within the State and the accounts shall be
6 devoted exclusively to security deposits and bear interest.

7 (iii) A security deposit shall be deposited in an account within 30
8 days after the landlord receives it.

9 (iv) The aggregate amount of the accounts shall be sufficient in
10 amount to equal all security deposits for which the landlord is liable.

11 (2) (i) In lieu of the accounts described in paragraph (1) of this
12 subsection, the landlord may hold the security deposits in insured certificates of
13 deposit at branches of federally insured financial institutions, as defined in § 1–101 of
14 the Financial Institutions Article, located in the State or in securities issued by the
15 federal government or the State of Maryland.

16 (ii) In the aggregate certificates of deposit or securities shall be
17 sufficient in amount to equal all security deposits for which the landlord is liable.

18 (3) (i) In the event of sale or transfer of the landlord's interest in
19 the leased premises, including receivership or bankruptcy, the landlord or the
20 landlord's estate, but not the managing agent or court appointed receiver, shall remain
21 liable to the tenant and the transferee for maintenance of the security deposit as
22 required by law, and the withholding and return of the security deposit plus interest
23 as required by law, as to all or any portion of the security deposit that the landlord
24 fails to deliver to the transferee together with an accounting showing the amount and
25 date of the original deposit, the records of the interest rates applicable to the security
26 deposit, if any, and the name and last known address of the tenant from whom, or on
27 whose behalf, the deposit was received.

28 (ii) A security deposit under this section may not be attached by
29 creditors of the landlord or of the tenant.

30 (4) Any successor in interest is liable to the tenant for failure to return
31 the security deposit, together with interest, as provided in this section.

32 (e) (1) Within 45 days after the end of the tenancy, the landlord shall
33 return the security deposit to the tenant together with simple interest which has
34 accrued [in the amount of 3 percent per annum,] **AT THE FEDERAL RESERVE**
35 **DISCOUNT RATE AS OF JANUARY 1 OF EACH YEAR AND** less any damages rightfully
36 withheld.

1 (2) Interest shall accrue at [~~six-month~~] **12-MONTH** intervals from the
2 day the tenant gives the landlord the security deposit. Interest is not compounded.

3 (3) Interest shall be payable only on security deposits of \$50 or more.

4 (4) If the landlord, without a reasonable basis, fails to return any part
5 of the security deposit, plus accrued interest, within 45 days after the termination of
6 the tenancy, the tenant has an action of up to threefold of the withheld amount, plus
7 reasonable attorney's fees.

8 **(5) THE LANDLORD SHALL DELIVER WITH THE RETURN OF THE**
9 **SECURITY DEPOSIT UNDER THIS SUBSECTION AN ACCOUNTING THAT SHOWS:**

10 **(I) THE INTEREST RATE IN EFFECT DURING EACH YEAR OF**
11 **THE TENANCY; AND**

12 **(II) THE AMOUNT OF INTEREST PAID DURING EACH YEAR OF**
13 **THE TENANCY.**

14 (h) (1) The provisions of subsections (e)(1) and (4) and (g)(1) and (2) of this
15 section are inapplicable to a tenant who has been evicted or ejected for breach of a
16 condition or covenant of a lease prior to the termination of the tenancy or who has
17 abandoned the premises prior to the termination of the tenancy.

18 (2) (i) A tenant specified in paragraph (1) of this subsection may
19 demand return of the security deposit by giving written notice by first-class mail to
20 the landlord within 45 days of being evicted or ejected or of abandoning the premises.

21 (ii) The notice shall specify the tenant's new address.

22 (iii) The landlord, within 45 days of receipt of such notice, shall
23 present, by first-class mail to the tenant, a written list of the damages claimed under
24 subsection (f)(1) of this section together with a statement of the costs actually incurred
25 and shall return to the tenant the security deposit together with simple interest which
26 has accrued **EITHER** in the amount of 3 percent per annum, **OR AT THE FEDERAL**
27 **RESERVE DISCOUNT RATE AS OF JANUARY 1 OF EACH YEAR, WHICHEVER IS**
28 **LESS, AND** less any damages rightfully withheld.

29 (3) (i) If a landlord fails to send the list of damages required by
30 paragraph (2) of this subsection, the right to withhold any part of the security deposit
31 for damages is forfeited.

32 (ii) If a landlord fails to return the security deposit as required
33 by paragraph (2) of this subsection, the tenant has an action of up to threefold of the
34 withheld amount, plus reasonable attorney's fees.

1 (4) Except to the extent specified, this subsection may not be
2 interpreted to alter the landlord's duties under subsections (e) and (g) of this section.

3 **(5) THE LANDLORD SHALL DELIVER WITH THE RETURN OF THE**
4 **SECURITY DEPOSIT UNDER THIS SUBSECTION AN ACCOUNTING THAT SHOWS:**

5 **(I) THE INTEREST RATE IN EFFECT DURING EACH YEAR OF**
6 **THE TENANCY; AND**

7 **(II) THE AMOUNT OF INTEREST PAID DURING EACH YEAR OF**
8 **THE TENANCY.**

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be
10 construed to apply only prospectively and may not be applied or interpreted to have
11 any effect on or application to any residential lease entered into before the effective
12 date of this Act.

13 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 October 1, 2010.